KANE REECE
ASSOCIATES, INC.
Valuation, Management & Technical Consulting

February 9, 2004

Via Email

Mr. Donald C. Brittingham
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Verizon Communications
1300 I Street NW
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Mr. John Bareham
Director - Business Development
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Dear Messrs. Brittingham & Bareham:

Kane Reece Associates, Inc. ("Kane Reece") has completed an analysis of the study incorporated in Nextel Communications, Inc.'s ("Nextel") filing for the Federal Communications Commission's ("FCC") consideration in WT Docket 02-55, *Improving Public Safety Communications in the 800 MHz Band*. Nextel's filing, dated November 20, 2003, attaches the study, *The Consensus Plan: Promoting the Public Interest A Valuation Study* by Dr. Kostas Liopiros of Sun Fire Group LLC (to be referred to as "Sun Fire" or "Sun Fire Study"). Nextel alleges that the Sun Fire Study "demonstrates that the spectrum swaps proposed by the Consensus Plan are comparable in value and will in no way give any licensee a 'windfall' benefit".

Sun Fire's Study refers to an Appraisal prepared by Kane Reece that assessed the fair market value as of December 31, 2002 of Nextel's current spectrum holdings as well as the value of spectrum that Nextel would acquire under its proposed "Consensus Plan." This Appraisal, which was included in Verizon Wireless' Ex Parte submission of October 27, 2003, concludes, "If the Consensus Plan were adopted, the value of Nextel's spectrum holdings would increase by $7.2 billion." Sun Fire alleges certain errors in Kane Reece's methodology, and using different methodology, concludes that Nextel's current spectrum is actually worth more than what it would receive in trade. Pursuant to your request, we have prepared the attached assessment of Sun Fire's Study.

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Kane Reece stands by our conclusion that Nextel will enjoy a $7.2 billion increase in the value of its spectrum holdings were the FCC to approve the Consensus Plan. The methodology we employed in our Appraisal is consistent with standard investment banking industry practice and with Uniform Standards of Professional Appraisal Practice. ("USPAP"). The valuations we reached in our Appraisal are accurate representations of the fair market value of the 700, 800 and 900 MHz spectrum that Nextel proposes to give up and the 800 MHz and 1.9 GHz spectrum that Nextel proposes to receive under the Consensus Plan. The attached report explains why each of Sun Fire's criticisms of the Kane Reece Study are invalid and inconsistent with industry practice and USPAP.

By contrast, the Sun Fire Study is not consistent with standard investment banking industry practice or with USPAP. It includes numerous flawed assumptions, and consequently derives a value for these spectrum bands that is not representative of fair market value. For example:

- Sun Fire wrongly equates the value of the non-contiguous, encumbered spectrum Nextel proposes to return with the contiguous, clear spectrum that it would receive. Sun Fire assumes (without any support) that a "kHz-for-kHz" comparison is valid for spectrum that has vastly different attributes.
- Sun Fire bases its entire valuation methodology on single market transactions that do not qualify as comparable sales under USPAP. Its estimates of MHz per pop value are thus not credible.
- Having invalidly sought to establish MHz per pop values based on single market transactions, Sun Fire then criticizes Kane Reece for citing values from two much larger transactions. As we clearly explained in our report, however, Kane Reece's methodology did not base its valuation on any individual transactions. Consistent with standard practice, we employed the traditional valuation methods including the DCF (income) and market methods to reach our value conclusion.
- Sun Fire's valuation erroneously overstates the value of Nextel's non-contiguous spectrum by wrongly including spectrum in the 800 MHz band that Nextel would not give up. The proper analysis should focus only on the spectrum that Nextel is turning in, and that spectrum, as our analysis shows, is seriously impaired.

The flaws and inconsistencies in the Sun Fire analysis suggest that Sun Fire's approach was to pick among whatever assumptions would (1) put the highest possible value on the encumbered, non-contiguous spectrum Nextel is giving up but (2) put the lowest possible value on the clear, contiguous spectrum it would receive. This led Sun Fire to

the amazing conclusion that if the Consensus Plan is adopted, **Nextel would lose almost $1 billion in the value of its spectrum assets**. We find it hard to believe that Nextel would be advocating the Consensus Plan if it really believed that the Plan would harm the value of its spectrum assets.

Respectfully Submitted,

Kane Reece Associates, Inc

KANE REECE ASSOCIATES INC.

Summary

On November 20, 2003, Nextel Communications filed an ex parte with the FCC that included a valuation study of the Consensus Plan prepared by the Sun Fire Group. In its study, Sun Fire raised objections to the valuation approach or methodology employed in the Kane Reece Appraisal of the windfall that Nextel would receive if the Consensus Plan were to be adopted. Kane Reece has appraised the difference in FMV of the spectrum Nextel is to receive under the Consensus Plan relative to the spectrum it proposes to give up to be $7.2 billion. In addition, Sun fire conducts its own analysis and concludes that Nextel would actually lose more than $1 billion under the Consensus Plan.

The Sun Fire Study is flawed in numerous respects. First, Sun Fire alleges that Kane Reece's financial analysis is flawed because (1) it does not take into account income taxes, (2) it inappropriately includes a control premium in its analyses, and (3) it inappropriately used a cost approach rather than an income approach in valuing customer relationships. As described in this report, Kane Reece's Appraisal is entirely consistent with proper investment banking industry practice. Kane Reece's analysis appropriately includes little or no tax liability in the early years of the analysis, followed in latter years with full statutory federal and state income taxes. Kane Reece appropriately included an equity control premium in the analyses of the total market value of invested capital for the public guideline companies, and we cite here numerous valuation "text book" references confirming that the control premium is a necessary part of the valuation methodology and is correct. Kane Reece also appropriately used a cost approach in valuing customer relationships. Sun Fire's incorrect income approach was conducted in a vacuum, neglecting to allocate the appropriate capital expenditures, retention marketing expenses, and a return of and on the assets employed in achieving the customer relationship cash flows.

Second, Sun Fire values the spectrum Nextel proposes to return without any considerations of the differences in attributes that this encumbered, interleaved and non-nationwide spectrum has relative to that which Nextel proposes to be given. Sun Fire consistently "nets" the 8.5 MHz of lower 800 MHz band spectrum with the 6.0 MHz of upper 800 MHz band spectrum, ignoring these differences.

Third, Sun Fire bases its entire valuation methodology on simply two acquisitions by Nextel: Chadmoore and Neoworld. These two acquisitions, used to value 800 MHz and 900 MHz band spectrum respectively, are not qualified to be used as comparable sales under Uniform Standards of Professional Appraisal Practice (USPAP) because they are not arm's-length transactions. Chadmoore was dependent upon the acquiring company, Nextel, for financing. Neoworld was owned by a co-founder and former executive of Nextel, the acquiring Company. In addition, the acquisitions themselves are for non-contiguous and encumbered SMR spectrum that is not equivalent nor comparable to that which Nextel proposes to receive under the Consensus Plan. In short, the Chadmoore and Neoworld transactions cannot even be considered as representative of spectrum values in the non-contiguous lower 800 MHz band, let alone as representative of values in the contiguous upper 800 MHz band.

Fourth, Sun Fire inappropriately condemns Kane Reece for basing its valuation of 1.9 GHz spectrum on two private market transactions (Verizon-Northcoast and Cingular-NextWave), and then goes on to base its own analysis on two relatively small acquisitions by Verizon Wireless involving Devon Mobile Communications. Importantly, Kane Reece did not base its valuation on any individual private market transactions. Consistent with standard practice, we employed the traditional valuation methods in our analysis including the DCF (income) and market (both public guideline company and market comparable sales) approaches in reaching our value conclusion. The two transactions referenced by Sun Fire, while confirming the reasonableness of our value conclusion, are *not* the basis of our valuation. Conversely, the two relatively small transactions on which Sun Fire relies to assess the value of 1.9 GHz are acquisitions of financially distressed companies. Therefore, these simply do not qualify as comparable sales under USPAP. Additionally, Sun Fire mis-applies these distressed sale prices to all of the Northcoast deal markets in an attempt to derive a low spectrum value for 1.9 GHz spectrum.

Finally, Sun Fire attempts to support a premise that Nextel technology and operations are efficient and presents this as evidence that it does not suffer any impairment from its current non-contiguous and encumbered spectrum holdings. However, Sun Fire fails to distinguish between its upper 800 MHz spectrum and its encumbered, interleaved and non-nationwide 700, lower 800 and 900 MHz band holdings. Sun Fire applies its efficiency conclusions to all of Nextel's spectrum, not just that which it proposes to give up.

Financial Analysis Comments

Proper Income Tax Treatment for the DCF Analyses

Sun Fire alleges (page 23) that Kane Reece "ignored the income taxes paid by the non-public wireless companies in estimating the annual discounted cash flows," and therefore has overstated the respective BEV's and resulting license value, of these companies, i.e., Verizon, Cingular and T-Mobile. Sun Fire is incorrect.

Sun Fire's analysis applies a statutory income tax rate of 38% to the "Gain (Loss) from Operations (EBIT)" line item in the Kane Reece Report. The EBIT data used by Kane Reece was compiled from an average of several analyst reports that report EBIT and reflects book operating income after book depreciation and amortization. The analysts also project that the amount of income taxes due for these non-public wireless companies in the near-term is nominal or zero.

Sun Fire's approach is incorrect because it fails to take into consideration the effect of tax depreciation (accelerated per MACRS) on the tangible assets and the amortization of intangible assets (Section 197 of the Code). Under the definition of FMV and the hypothetical sale of any of these companies, the annual tax depreciation and amortization would be substantial. Therefore, due to the "tax shield" derived from tax depreciation and amortization, there would be little or no income tax paid during the initial years of the DCF horizon.

As Sun Fire points out, Kane Reece has correctly assumed that income taxes will be paid in the long-run by tax-affecting the terminal value determination which computes the value component beyond year eight.

The Table below summarizes the tangible and intangible asset values derived in our report for Verizon, Cingular, and T-Mobile. We also note the cumulative capital expenditures forecast over our DCF analysis horizon, which combined with the existing tangible and intangible asset values represents the total depreciable and amortizable assets available to each respective Company. The depreciation and amortization associated with these assets reduce the taxable income so that little or no near term income tax provision is required.

Additionally, we note that insight into existing Net Operating Losses ("NOL's") for these three Company's is not available, but is estimated to further limit any near-term significant tax effect on the free cash flow forecast.

Summary of Depreciable & Amortizable Assets
($000)

	Verizon	Cingular	T-Mobile
BEV Value Conclusion	$ 56,150	$ 26,550	$ 9,800
Tangible Asset Value	17,073	11,144	4,488
Customer Relationship Value	10,625	8,989	3,133
License Assets	28,452	6,417	2,179
Total Assets	$ 56,150	$ 26,550	$ 9,800
Cumulative Capex Yrs 1-8	33,502	26,830	14,451
Total Deprec/Amortizable Assets	$ 89,652	$ 53,380	$ 24,251

As further proof to the erroneous adjustments Sun Fire made to the Kane Reece valuations, the adjusted enterprise values that Sun Fire derives are simply not reasonable. For example, its enterprise value of Cingular, $18.9B, equates to 4.2 times Cingular's 2002 EBITDA. Using another metric, Sun Fire's valuation of Cingular equates to $842 per subscriber. A simple check for reasonableness would show that the public wireless companies traded at approximately 7.6 times 2002 EBITDA and $1700 per subscriber. Thus, applying industry multiples to Cingular's actual 2002 EBITDA and subscriber base would imply a value range of $34B to $37B (versus Sun Fire's estimate of $18.9B). The following table compares the valuations of Cingular, Verizon Wireless, and T-Mobile as determined by Kane Reece, Sun Fire, and industry multiples. As the chart indicates, Sun fire's assertion that Kane Reece's value of these three companies was overstated by $16B (resulting in an over-valuation of $.36 per MHz Pop) is clearly erroneous. In fact, industry multiples would imply that the Kane Reece valuation was conservative (a $10B adjustment would result in the $1.82 per MHz Pop increasing by $0.22 to $2.04 per MHz Pop – thereby increasing the windfall to over $8.0B).

	12/31/02 Valuation Per			
	Kane Reece	Sun Fire	EBITDA Multiple*	Subscriber Multiple**
Verizon Wireless	$ 56.9	$ 48.0	$ 52.9	$ 55.5
Cingular	23.0	18.9	34.2	36.9
T-Mobile	10.3	7.2	90.3	104.3
Total	$ 90.2	$ 74.1	$ 90.3	$104.3

* Average EV/2002 EBITDA at 12/31/02 $ 7.63
** Average EV/2002 subs at 12/31/02 $ 1,708

(EBITDA and sub multiples based on average of AWE, Nextel & PCS from *Morgan Stanley Wireless Operator Valuation Table* as of 12/20/2002).

Control Premium

Sun Fire alleges (page 24) that Kane Reece "incorrectly added an equity control premium of 30% in calculating the MVICs of the publicly traded wireless companies," which "resulted in an overestimate of the BEVs for these companies." Sun Fire argues that it is "inappropriate, and contrary to investment banking industry practice, to include such premiums in calculating the business enterprise value of an entire industry." Sun Fire is incorrect.[1]

A control premium, typically expressed as a percent, is applied under valuation theory to the market value of publicly traded equity, which is based upon individual share prices and therefore represents a minority interest. When a corporation is acquired, the acquiring company typically pays a premium over the then publicly traded per share price quoted on a market exchange. This represents a premium to acquire the controlling interest in a company. It is consistent with the DCF or income approach to valuing a Company's BEV, whereby control is imbedded in the controlling shareholders' ability to affect the forecasted cash flows that are employed in the DCF calculations.

We note that the trend in the wireless marketplace is toward consolidation and assemblage of national spectrum footprints. Private wireless transactions have historically taken place at a premium to public market pricing metrics. This is supported by the analyses presented in monthly issues of the *Wireless Telecom Investor*[2]. In the January 2003 issue, Kagan provides data for public cellular and PCS/ESMR companies which indicate a private market value per share premium to quoted exchange prices of 66% for cellular and 68% for PCS/ESMR. This is analogous to the Control Premium factor and indicates our 30% premium may be conservative. Conversely, this may be looked at from the perspective that wireless public company share price is typically discounted from its private market value. One reason for this discount is that stock-based acquisitions may have additional risk factors due to the assumption of liabilities that an asset-based acquisition may not have. It is important to note that the Kane Reece Appraisal's purpose is to value assets, not equity values.

A good summarization of the applicability of the control premium to BEV is provided by the Financial Accounting Standard Board (FASB) (emphasis added) in the FASB 142 statement:

> Quoted market prices in active markets are the best evidence of fair value and shall be used as the basis for the measurement, if available. However, the market price of an individual equity security (and thus the market

[1] While Sun Fire is wrong in its assertion about the proper use of a control premium, it also incorrectly applied its adjustment to Kane Reece's calculations and concluded that Kane Reece overstated the per MHz/Pop fair market value for the industry by 19%. However, the control premium was used (correctly) only in the guideline company approach, which does not include a significant portion of the industry. Verizon Wireless, Cingular, and T-Mobile were appraised principally by the DCF approach (along with Nextel).

[2] *Wireless Telecom Investor* published by Kagan World Media, January 16, 2003; Page 3.

> capitalization of a reporting unit with publicly traded equity securities) may not be representative of the fair value of the reporting unit as a whole.[3] …
>
> If quoted market prices are not available, the estimate of fair value shall be based on the best information available, including prices for similar assets and liabilities and the results of using other valuation techniques. **A present value technique is often the best available technique with which to estimate the fair value of a group of net assets (such as a reporting unit).**

Further evidence of the common practice in the valuation of business entities is found in *Valuing a Business*, 4th edition by Pratt, Reilly and Schweihs[4]:

> It is apparent that the owner of a controlling ownership interest in a business enterprise enjoys some very valuable rights that the owner of a noncontrolling ownership interest does not enjoy.
>
> In its quarterly *Control Premium Study*, Mergerstat defines a control premium as "the additional consideration that an investor would pay over a marketable minority equity value (i.e., current, publicly trade stock prices) in order to own a controlling interest in the common stock of a company."
>
> A controlling interest is considered to have greater value than a minority interest because of the purchaser's ability to effect changes in the overall business structure and to influence business policies. Control premiums can vary greatly. Factors affecting the magnitude of a given control premium include:
>
> - The nature and magnitude of nonoperating assets.
> - The nature and magnitude of discretionary expenses.
> - The perceived quality of existing management.
> - The nature and magnitude of business opportunities which are not currently being exploited.
> - The ability to integrate the acquiree into the acquirer's business or distribution channels.

Additionally, in discussing business enterprise valuations, USPAP[5] indicates:

> Equity interests in a business enterprise are not necessarily worth the pro rata share of the business enterprise value as a whole. Conversely, the value

[3] Substantial value may arise from the ability to take advantage of synergies and other benefits that flow from control over another entity. Consequently, measuring the fair market of a collection of assets and liabilities that operate together in a controlled entity is different from measuring the fair value of that entity's individual equity securities. An acquiring entity often is willing to pay more for equity securities that give it a controlling interest. That control premium may cause the fair value of a reporting unit to exceed its market capitalization.
[4] Valuing a Business, Page 349.
[5] USPAP 2003 Edition © The Appraisal Foundation

> of the business enterprise is not necessarily a direct mathematical extension of the value of the fractional interests.

The applicability of a control premium to value control interests or BEV's when using the market guideline company approach is noted in *Valuing a Business* (emphasis added):[6]

> Control versus Minority. Since guideline public company shares are, by definition, noncontrolling ownership interests, their trading prices are most directly relevant for valuation of other noncontrolling ownership interests…
>
> Therefore, it is often useful to use the guideline publicly traded company method even when valuing controlling interests. (**This method requires consideration of a premium to reflect the prerogatives of control.**)

Another source is found in *The Market Approach to Valuing Business:*[7]

> Valuing Controlling Interests: Since the indication of value is based on minority interest transactions, if one is valuing a controlling interest, it may sometimes be necessary to consider applying a premium for control; this is often appropriate.

We note that Appendix E of the Kane Reece report provides a list of communications industry merger and acquisition transactions of greater than $100 million, and calculates a median premium paid over the last five years of 30%. Included in this data published by Mergerstat is an 80.8% premium paid by Nextel for Chadmoore Wireless, which is one of the "comparable sale" value metrics that Sun Fire alleges is comparable to our wireless industry spectrum valuation. It should be noted that the actual premium paid based on the final price was in excess of 100%.

Sun Fire acknowledges the applicability of a control premium to individual companies but questions its use in valuing the industry. This argument simply does not make sense as the industry value is simply the sum of its parts. We have determined the value under the "any willing buyer to any willing seller" concept of FMV. Perhaps Sun Fire is of the erroneous opinion that there are no more "logical buyers" to pay FMV when considering the entire industry. However, this thought process would be very narrow as the domestic wireless industry has significant interest from international players such as Vodaphone, NTT DoCoMo, Deutsche Telecom, among others. Other telecommunications companies, both domestic and international as well as financial buyers are also potential acquirers of domestic wireless companies. One only has to observe the current interest among many domestic and international companies in acquiring AT&T wireless. As reported in Yahoo Finance,[8] "Cingular has already offered $11.00 a share in cash for AT&T Wireless in an initial, informal offer….. Now some industry observers say Cingular may need to pay more." We note that based upon the AT&T wireless share price 5 days prior to the Cingular announcement (standard

[6] Page 229; *Valuing a Business*, The Analysis and Appraisal of Closely Held Companies; Shannon P. Pratt, Robert F. Reilly, and Robert P. Schweihs.
[7] Page 31; *The Market Approach to Valuing Businesses*; Shannon P. Pratt
[8] *Cingular cleared to try to buy AT&T Wireless*, Yahoo Finance, January 29, 2004

practice by Mergerstat which reports control premiums) of $8.13, the eleven dollar offer represents a 36% control premium.

With regard to Sun Fire's statement that control premiums are not consistent with investment banking practice, we note that the investment banking community is promoting the sale of shares of stock or minority interests, not the value of assets such as licenses as is the case here. Additionally, analysts use DCF and market multiples of cash flow approaches to determine wireless company BEV's and refer to values so derived as "private market valuations". When translating these valuations to equity per share prices, typically a private to public market discount is applied. An example of this can be seen in Bear Stearns Equity Research[9] for Sprint Corporation where a 25% discount for private and public market value is applied.

Customer Relationship Intangible Asset Valuation

Cost Approach vs. Income-Based Approach

Sun Fire alleges (Page 24) that Kane Reece "inappropriately used a cost approach rather than an income-based approach" in valuing the customer relationships. Sun Fire is incorrect.

Sun Fire misinterprets our Report's discussion of the cost approach to value and offers no justification for the assertion that the cost approach is inappropriate. Kane Reece indicates that "approaches that are based on cost would be the least meaningful and most subjective" [Page 15 Kane Reece] only in the context of determining a wireless Company's BEV. The cost approach is not inappropriate for valuing an individual asset, especially one such as customer relationships for which the industry typically measures and draws the analogy to cost per gross add ("CPGA"). The unique characteristics of each member company of the domestic wireless industry makes a single DCF valuation approach very difficult to accomplish. It is Kane Reece's experience that when valuing wireless business entities, and when sufficient detailed financial and operational data is available, both the DCF approach and the cost approach can provide supportive value conclusions for customer relationship assets. Thus, as our report indicates, we have employed the cost approach as a reasonable estimate of the Fair Value of the customer relationship assets, since sufficient public data is not available to properly employ the DCF approach.

It is difficult to properly value an asset by the income method if the BEV of the entity it belongs to is not also valued by that method, or at least has reliable cash flow projections over the model period during which the asset is employed. The entity here is the wireless industry. Neither Kane Reece, nor any analyst report cited by Kane Reece, nor Sun Fire, has suggested that the entire industry should be valued by the income method, i.e. by estimating and aggregating cash flow projections for all of the companies that comprise the industry.

[9] *Bear Stearns Equity Research,* Sprint Corporation, January 30, 2004 page 11

A reputable reference for employing the cost based approach to valuing customer based intangible assets is found in *Valuation for Financial Reporting*[10].

> Valuation of a customer base using the cost approach requires the identification of the selling costs associated with the generation of new customers.

Sun Fire Incorrectly Applies The Income Method To Value Customer Relationships

The Sun Fire Study uses "an income-based approach that estimates the net present value of the projected future cash flows from the industry's existing customers only, reduced by churn, to perpetuity" [Page25]. Sun Fire's analysis is flawed. The use of such an income-based approach cannot be performed correctly in the absence of an industry forecast of total revenues, capital expenditures, depreciation and amortization/tax structure, which are needed to determine the free cash flows attributable to the customer relationship asset.

Sun Fire (Appendix F) determines a "Pre-CPGA OIBDA margin" by subtracting Operating Expense and G&A Expense margins (from a single analyst forecast, Kagan Associates) from projected future cash flows. Sun Fire indicates that "CPGA related costs are excluded from projected future cash flows since the customer already exists". This exclusion is incorrect, because a significant portion of these costs are applicable to retaining existing customers. It is our estimate that as much as 50% of the marketing cost may be attributable to customer retention, including:

- Costs for subsidy of customer purchase of replacement phones (the average life of a phone is estimated to be between two and three years).
- Commissions on contract renewals.
- Advertising and promotion costs needed to retain customer patronage, maintain brands and customer knowledge, etc.
- Allocated headquarters/corporate marketing costs.

Sun Fire also incorrectly excludes the deduction of capital expenditures. Capital expenditures are required to maintain and upgrade the network assets which are in place as of the valuation date. Therefore, an appropriate portion of future capital expenditures should be deducted from the customer relationship cash flows in arriving at the attributable free cash flow.

Additionally, Sun Fire incorrectly excludes the deduction of a "return of and on" other assets employed. A return of and on the existing/acquired network plant (net PP&E at the valuation date) should be subtracted from the customer relationship cash flows. This is necessary because the cash flows projected by Sun Fire as attributable to

[10] Page 56; *Valuation for Financial Reporting*, Intangible Assets, Goodwill, and Impairment Analysis SFAS 141 and 142; Michael J. Mard, James R. Hitcher, Steven D. Hyden, and Mark L. Zyla

customer relationships could not be obtained without the utilization of the existing network assets as well as the provision for future maintenance capital expenditures.

The previously referenced source, *Valuation for Financial Reporting*, also addresses the need to recognize a contributory charge or returns of and on assets that support an identifiable intangible asset:

> Imbedded in the concept that the fair value of an identifiable intangible asset is equal to the present value of the net cash flows attributable to that asset is the notion that the net cash flows attributable to the subject asset must recognize the support of many other assets, tangible and intangible, which contribute to the realization of the cash flows. The contributory asset charges (of cash flow) are based on the fair value of the contributing assets. After-tax cash flows for certain identifiable intangible assets are assessed charges representing a "return on" and a "return of" the contributory assets based on their fair values. The "return on" the asset refers to a hypothetical assumption whereby the project pays the owner of the contributory assets a fair return on the fair value of the hypothetically rented assets (in other words, return on is the payment for using the asset). For self-developed assets (such as assembled workforce or customer base), the cost to replace these assets is already factored into the cash flow analysis as part of the operating cost structure in the form of ongoing development expenses. Similarly, the return of fixed assets is included in the cost structure as depreciation. "Return of" is the cost to replace the asset and is deducted from the subject revenues.[11]

Sun Fire's Incorrect Income Method Overstates Customer Relationship Value

While Kane Reece does not advocate Sun Fire's DCF approach to valuing the industry Customer Relationship asset, we have applied the following corrections to Sun Fire's calculations in order to illustrate that the value of $46.3 billion that we have assigned to customer relationships in our report (Table 6, Page 38) is relatively conservative with respect to our determination of the wireless industry license value.

- Corrected the operating margin to include a provision for customer retention expenses estimated at 50% of marketing expenses. This decreases customer relationship value.
- Included a provision for allocated capital expenditures in deriving free cash flow attributable to the customer relationship asset. This decreases customer relationship value.
- Deducted from customer relationship allocated cash flow a return of and on the existing tangible assets ($81 billion, Table 6 of the Kane Reece Appraisal Report). This is the proper DCF methodology as the customer relationship cash flows could not be realized without the existence of network assets. The annual return of and on tangible assets is allocated based on the relative number of subscribers or revenue attributable to

[11] Page 56; *Valuation for Financial Reporting*, Intangible Assets, Goodwill, and Impairment Analysis SFAS 141 and 142; Michael J. Mard, James R. Hitcher, Steven D. Hyden, and Mark L. Zyla

the remaining customer relationship subscribers relative to the total industry.

- Calculated an income tax requirement based on an allocation of tax (MACRS) depreciation on existing network tangible assets and future capital expenditures as well as the tax amortization (15 years per Section 197 of the Code) applicable to the customer relationship asset value. (Note: that this is an iterative calculation requiring solving "simultaneous equations.") This effect is to increase customer relationship value.
- Corrected the Sun Fire discount rate to be mid-period instead of end-of-period to reflect the monthly cash flow nature of the wireless business. This effect is to increase customer relationship value.
- All other parameters are per the Sun Fire Appendix F, including ARPU.

Exhibit A provides a twenty-year DCF analysis, making the above noted adjustments to the Sun Fire calculations in Appendix F. The result is a 50% reduction in value from $70.7 billion to $36.6 billion, which is even lower than Kane Reece's estimate of $47.6 billion. These adjustments would increase, not decrease, the estimated US average spectrum license value on a per MHz-Pop basis. Using Sun Fire's valuation with the above corrections actually increases the value of the US average spectrum to above the value we calculated by 13.7% to $2.07per MHz-Pop (versus our calculation of $1.82), and would thereby increase the Nextel windfall by $1 billion to $8.2 billion.

Valuation Methodology

Sun Fire asserts (page 13) that the spectrum exchange proposed by Nextel "involves spectrum of comparable value and will not give Nextel a windfall." Sun Fire is incorrect.

Sun Fire concludes that the spectrum exchange proposed under the Consensus Plan is approximately equal because it assumes that "a 'kHz for kHz' analysis provides a concrete, objective, reliable method for comparing the relative values of spectrum." However, it is this reliance on a "kHz for kHz" analysis that results in Sun Fire reaching an incorrect conclusion regarding the relative values of the spectrum bands involved.

Sun Fire acknowledges (page 14) that, "to be sure, there may be qualitative differences in the bands being exchanged." These qualitative differences are key elements in determining the FMV of the spectrum Nextel proposes to give up versus that which it proposes to receive in return. These differences include:

- Non-contiguous spectrum versus spectrum that is contiguous;
- Heavily encumbered spectrum versus spectrum that is relatively clear;
- Spectrum subject to significant restrictions (e.g., 700 MHz) versus spectrum that is subject to extremely flexible rules; and
- Spectrum that is non-national in scope versus spectrum that is nationwide.

Sun Fire simply states that quantifying these differences in value is speculative and therefore does not address this issue. While Kane Reece agrees that the marketplace for spectrum exhibits some degree of volatility, it does not mean that the value of spectrum as of a certain date cannot be determined at least within a range of reasonableness, nor does it mean that differences in spectrum attributes or relative impairments cannot be quantified, especially differences as significant as those described above. Additionally, Sun Fire simply "nets" the total spectrum of approximately 16.3 MHz that Nextel is proposing to give up with the 16.0 MHz Nextel proposes to be granted, implying it is actually losing spectrum. Clearly, as described in our report, encumbered, interleaved and non-nationwide 700 MHz, lower 800 MHz and 900 MHz band spectrum is not the same and not worth the same as unimpaired, contiguous, nationwide, upper 800 MHz and 1.9 GHz band spectrum.

Value of Nextel 700, 800, and 900 MHz Spectrum to be Returned

Sun Fire specifically omits the consideration of differences within the lower 800 MHz band which is stipulated to be encumbered and interleaved versus the upper 800 MHz band which is not. Even when addressing the 800 MHz band value, Sun Fire only considers a net spectrum of 2.5 MHz in its valuation methodology, ignoring the fact that it proposes to receive 6.0 MHz of upper 800 MHz band (nationwide, unencumbered & non-interleaved) while proposing to give up 8.5 MHz of lower 800 MHz band (which is encumbered, interleaved and not fully national in scope) for a net change of 2.5 MHz. Clearly Sun Fire's theory that all KHz's are equal is not rational.

Sun Fire alleges (page 27) that "two relatively recent transactions can be used to estimate the value of the 2.5 MHz of 800 MHz spectrum and the 4 MHz of 900 MHz spectrum that Nextel would contribute to the Consensus Plan."[12] There are a number of problems with Sun Fire's assumptions and approach regarding the two transactions which are referred to as the Chadmoore Wireless and Neoworld acquisitions:

- It is not proper valuation methodology to base a valuation determination on a single transaction (Chadmoore or Neoworld) in each of the 800 and 900 MHz bands respectively.
- The single transaction(s) are transactions for SMR spectrum that is traditionally used for dispatch service and is typically more encumbered and subject to more restrictions than cellular/PCS spectrum.
- The single transaction(s) are transactions whereby the acquiring company is Nextel and where the arm's-length nature of both transactions is suspect as Nextel had relationships with respect to financing and senior management of these acquired companies.

Chadmoore Wireless Acquisition

As already noted, Sun Fire inappropriately uses a single transaction (Chadmoore) on which to base its valuation of the 800 MHz band. Sun Fire applies its "single point" value conclusion for 800 MHz spectrum to a net 2.5 MHz of existing Nextel spectrum, whereas it is actually proposing to give up 8.5 MHz of spectrum in the lower portion of the band which has certain impairments addressed in the Kane Reece report. Thus, Sun Fire's "comparable sale" is not comparable.

The price paid for Chadmoore ($130 million) is substantially higher than the FMV appraisal performed by BIA Financial Network, Inc. ("BIA")[13], referred to as the "BIA Appraisal." In this appraisal, which Nextel cites in its 2001 filing to the SEC, BIA provides fair market value and orderly liquidation value conclusions of $66.3 million and $60.6 million, respectively:

[12] As discussed infra, Sun Fire assumes that Nextel is contributing 2.5 MHz of 800 MHz spectrum in the exchange. However, Nextel is contributing approximately 8.5 MHz of lower band (and lower-valued) 800 MHz spectrum while receiving 6 MHz of upper band (and higher-valued) 800 MHz spectrum.

[13] Exhibit 99.1 to Nextel S-4 filing with the SEC dated November 20, 2001, *Valuation of Chadmoore Wireless Group, Inc. SMR Licenses and Selected Tangible Assets as of June 30, 2001*

BIA Appraisal Summary

Asset	Orderly Liquidation Value ($M)	Fair Market Value ($M)		FMV/ MHz Pop
800 Spectrum	$ 45.1	$ 50.1		$ 0.824
900 Spectrum	7.3	8.1		0.713
Other Tangible Assets	8.1	8.1	*	N/A
	$ 60.6	$ 66.3		$ 0.919

* From the documentation available in the appraisal it is unclear whether tangible asset FMV is equal to liquidation value.

This value for Chadmoore is confirmed by Bloomberg News which placed a value of $58.8 million on the Company upon the announced sales to Nextel.[14]

The high premium (96%) paid by Nextel can only be explained by the fact that Chadmoore is not an arm's length transaction. As discussed in the Chadmoore Proxy Statement,[15] Chadmoore is dependent on Nextel for financing current operations. These financing arrangements clearly would cease if the sale to Nextel terminated. Nextel is likely the only logical buyer and thus the transaction is not FMV as defined by USPAP, and is more likely an investor-specific value.[16] Consequently, Chadmoore is not a comparable sale under appropriate valuation methodology guidelines.

While the Chadmoore transaction is not representative of FMV, Kane Reece has calculated the implied FMV per MHz Pop for the Chadmoore transaction based upon the above referenced BIA appraisal and the specific markets, population, and spectrum bandwidth identified in the appraisal. The value per MHz Pop ranges from $0.824 for the 800 MHz band to $0.713 for the 900 MHz band. Clearly this is less than the $2.02 per MHz Pop value derived by Sun Fire, which was based on a purchase price that does not represent FMV.

Also, the BIA appraisal notes that it uses a market by market analysis of FCC Auction 34: *800 MHz SMR General Category Service*. It is our opinion that rather than rely on a single 800 MHz band transaction as Sun Fire did, the Auction 34 results provide a better perspective of a broad, national footprint of lower 800 MHz band spectrum FMV.

Kane Reece conducted an analysis of the Auction 34 and also Auction 36: *800 MHz SMR Lower 80 Channels Service*, completed December 5, 2000.

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[14] dc.internet.com, dated August 23, 2000, *Nextel to Acquire Chadmoore Wireless Group*.

[15] Page 292 of Chadmoore Proxy: In connection with the Nextel reorganization agreement, the Company arranged to borrow up to an aggregate of $32.5 million form Barclays Bank PLC in order to pay amounts due under the Company's existing credit facility and finance the Company's interim operations. In the event that the Nextel reorganization agreement is terminated, Barclays' obligation to continue advancing funds to the Company will cease as of the date of such termination, and the principal balance of the interim financing will have to be repaid by the Company on or before June 30, 2002.

[16] Adjustments for the conditions surrounding the sale might be appropriate in order to properly reflect the motivations of the buyer and the seller. A buyer may pay more than market value for an intangible asset needed in order for the buyer to capitalize on a unique market condition. (*Valuing Intangible Assets*, Reilly and Schweihs, page 148).

	Auction 34	Auction 36
Licenses:	1,030	2,800
	Six contiguous 25 Channel Blocks in 175 economic areas Plus one 20 Channel (Blk A) One 60 Channel (Blk B) and One 120 Channel Block (Blk C)	Sixteen non-contiguous 5 Channel blocks in 175 Economic Areas
Bandwidth:	1.25 MHz per license block (1MHz Blk A; 3 MHz Blk B; 6 MHz Blk C)	0.25 MHz per license block
Price:	$ 319.5 Million	$ 29.0 Million

The results of these two auctions provide the following market approach valuation indication.

	Auction 34	Auction 36
Per MHz Pop, Total Auction	$ 0.168	$ 0.029
Per MHz Pop, Simple Average	0.295	0.049
Per MHz Pop, Median	0.143	0.011
Per MHz Pop, Stnd Deviation	0.441	0.171

Clearly these results have a wide variance but even taken that into consideration, one cannot possibly approach Sun Fire's value conclusion of $2.02 per MHz Pop. In fact the implied value of the lower 800 MHz band per the Kane Reece appraisal of $0.45 per MHz Pop is probably generous.

There are additional problems with Sun Fire's analysis of the Chadmoore transaction and its use of this data as the sole means of valuing the 800 MHz spectrum that Nextel proposes to give up.

The Chadmoore transaction is not "relatively recent" as Sun Fire alleges. While closing was not until February 2002, the transaction dates back to early negotiations in 1999 and final agreement in August 2000.

Sun Fire incorrectly states the number of Pops included in the Chadmoore transaction. Sun Fire's Study indicates that the Chadmoore transaction involved "nearly 100 million Pops in geographically diverse markets. The Pops are concentrated in second and third tier markets with no Top 10 markets." However, the Chadmoore Wireless Group Inc. Proxy Statement for the *Assets Sale and Dissolution and Liquidation Proposals* and the BIA appraisal incorporated in the statement indicate that the Pops are significantly below 100 million. (While the text of these documents indicates that there are 55 million Pops in the 800 MHz band, a detailed market-by-market listing provided in the BIA Appraisal (Table 5) totals 61.8 million Pops for 174 markets and 3,945 channels.)

Sun Fire does not identify the amount of spectrum involved, but from the BIA data (Table 5 provided here as Exhibit B) it can be determined that the average spectrum per market is 1.1 MHz and the total transaction Pop weighted average is 1.0 MHz. This is another inconsistency with Sun Fire's analysis because Sun Fire's implied average transaction spectrum is 0.64 MHz ($130 million divided by Sun Fire's assertion of 100 million Pops is $1.30 per Pop; the calculation of $2.02/MHz Pop value conclusion of Sun Fire is not documented but implies $1.30/Pop divided by 0.64 MHz equals $2.02).

Importantly, only 46% of the Chadmoore 800 MHz spectrum was in interleaved spectrum below 861 MHz, while the remaining 54% was in the upper band above 861 MHz. Therefore, 54% of the licenses included in this transaction would not be germane to determining the value of the spectrum that Nextel is proposing to give up.[17]

There are certainly enough questionable items concerning this single transaction so as to invalidate Sun Fire's reliance upon it.

Neoworld Acquisition

Sun Fire uses another single market transaction, Neoworld, acquired by Nextel in the 1Q 2003, to base its value conclusion of $1.44 per MHz Pop for Nextel's 900 MHz Spectrum. Little data is publicly available on this closely held firm's acquisition. Sun Fire alleges Neoworld had 200 million Pops, which, in turn, implies an average of 1.0 MHz of spectrum involved ($276 million divided by 200 million Pops and divided by 1.04 MHz). Sun Fire's value conclusion for 900 MHz spectrum of $1.44/MHz Pop is grossly inconsistent with data included in the Chadmoore transaction, which also included 900 MHz spectrum and which Sun Fire believes is representative of current spectrum values. From the data in the BIA appraisal (based on the 1996 FCC 900MHz Auction) of Chadmoore 900 MHz spectrum (BIA Table 7, provided here as Exhibit C), an average value per MHz Pop of $0.16 can be derived. This value and the Kane Reece Appraisal (Table 7) value conclusion of $0.30 per MHz Pop for the subject 900 MHz spectrum clearly indicate that Sun Fire's reliance on Neoworld, a single non-comparable transaction, resulted in an incorrect determination of fair market value.

The use of this single "comp" is also flawed because it is not an arm's-length transaction. Nextel is the only logical buyer of this spectrum, which is owned by a co-founder and former executive of Nextel.

Press reports from Wireless Week at the time indicated that Neoworld purchased this spectrum from Geotek in 2000. According to Wireless Week, Neoworld was headed by Brian McAuley, a co-founder of Nextel with Morgan O'Brien another co-founder of Nextel and then current Nextel Vice Chairman. Wireless Week goes on to report that several in the radio dispatch industry questioned whether Neoworld was just a "mere place card" for Nextel.

[17] Source: Verizon Wireless Analysis

Thus, the transaction is somewhat incestuous and does not reflect what the wireless industry would pay for this spectrum.[18]

The last auction of 900 MHz spectrum occurred in 1996 and bidders paid approximately $0.16/MHz Pop at Auction. The relatively low spectrum value is a result of the current lack of a significant network infrastructure for 900 MHz wireless applications (which have half the channel bandwidth of the 800 MHz band), and the limited number of phones with dual 800/900 MHz band capability. Even if we doubled the auction price to $0.32 (to reflect inflationary trends), we are a long way from Sun Fire's conclusion.

700 MHz Spectrum

With respect to the valuation of Nextel's 700 MHz spectrum, Sun Fire suggests that the value of this spectrum is the $350.7 million cost of Nextel's acquisitions at FCC Auction 33 (September 2000) and FCC Auction 38 (September 2001). This equates to approximately $0.30 per MHz Pop, assuming a nationwide population of 290 million and 4 MHz of spectrum. However, there is even more recent 700 MHz FCC auction data that is a better reflection of current fair market value.

The monies paid for 700 MHz spectrum in Auction #'s 44 (closed September 18, 2002) and 49 (closed June 13, 2003) provide value indications of roughly $0.033 and $0.027/MHz-Pop, respectively – about a tenth of what Nextel paid. Importantly, the spectrum acquired by Nextel is "guard band" spectrum that has substantially more restrictions on it than the spectrum sold in Auctions 44 and 49.

Thus, the Kane Reece value indication of $31 million more accurately reflects the fair market value of this spectrum which is limited by the license restrictions that preclude the provision of cellular or cellular-like services, as noted in our report (Page 43).

[18] A good treatise on the use of "comp" data can be found in *Valuing Intangible Assets* by Reilly and Schweihs, page 107-109: The analyst should verify that each comparative transaction analyzed represents arm's-length pricing and arm's-length terms. If the participants to the comparative transaction are independent of each other and if they clearly negotiated in an arm's-length fashion so as to achieve their own economic self-interests, then the transaction can be assumed to represent market conditions…

However, there are numerous instances when reported intangible asset sale or license transactions may not necessarily be at arm's-length. Examples of such transactions include:

1. A transaction between parties who have the appearance of a conflict of interest, such as between a parent corporation and a subsidiary corporation, between a brother and a sister corporation, or between similarly related or commonly controlled entities.
2. A transaction in which one participant is under financial duress…

Unless the analyst has reason to believe otherwise, these types of transactions may not represent arm's-length market conditions. Accordingly, they may not be useful in a market approach comparative transaction analysis.

Fair Market value of 1.9 GHz Spectrum Nextel Proposes to Acquire

Sun Fire alleges (page 31) that industry estimates of the value of the 1.9 GHz G block are overstated because they inappropriately rely on two recent private market transactions:

- Verizon Wireless's acquisition of PCS licenses from Northcoast Communications for $750 million (or approximately $1.58/MHz Pop).
- Cingular's acquisition of PCS licenses from NextWave for $1.44 billion (or approximately $1.69/MHz Pop).

Sun Fire notes that some early assessments of the Cingular/NextWave transaction assumed that Cingular would acquire only 10 MHz from NextWave in 34 markets, resulting in a per MHz-Pop value of $1.86. This initial published estimate overlooked the fact that two of the markets – Tampa, Florida and El Paso, Texas – included 20 MHz of spectrum and assumed a $1.5 billion purchase price which later press releases indicated to be $1.4 Billion. Kane Reece included both of these adjustments in its report and computed a value of $1.69. In any event, the difference in value attributable to the two markets with 20 MHz of spectrum, on a per MHz-Pop basis is de minimus and certainly not evidence that Kane Reece's derived value of $1.82 for 1.9 GHz spectrum is out of line.

Sun Fire also objects to the use of either of the above-referenced transactions because they involve "very large markets." Sun Fire implies that these large market transactions bias upward the pricing for a nationwide 1.9 GHz license. To the contrary, the nationwide license includes all the large markets (by definition!) that these transactions address plus additional markets. The attractiveness of a nationwide license is its imbedded inclusion of the large markets, necessary for a service provider to hold in order to attract and develop sufficient customer penetration as well as provide national coverage demanded by key business customers.

It is important to note that Kane Reece did not rely on either of the Cingular/NextWave or Northcoast transactions in determining our FMV conclusion. While the Northcoast transaction was announced prior to our valuation date, the Cingular/NextWave transaction was announced after the valuation date and therefore excluded from our average comparable sale calculation in Exhibit F of our report. The Northcoast Transaction, among others listed in Exhibit F, was used to test the reasonableness of our value conclusion determined under the DCF and Guideline Company market approaches to value.

Sun Fire goes on to base its value conclusion for the 1.9 GHz spectrum on its "Tiered Pricing Model" incorporated in Appendix G of its report. This model is based solely on an arbitrary and erroneous analysis of a single transaction, Verizon Wireless's Northcoast acquisition.

Sun Fire's Appendix G provides an excellent example of why a "kHz is **not** a kHz" as suggested by Sun Fire. Appendix G is a mathematical exercise in futility whereby Sun Fire bases its analysis on two recent Verizon acquisitions:

- Pittsburgh, PA for $0.42/MHz Pop
- Lebanon, NH for $0.25/MHz Pop

The first major problem with Sun Fire's analysis is that these two acquisitions do not qualify as independent fair market value comparable sales. Both of these transactions were acquired by Verizon from Devon Mobile Communications, LLC ("Devon") and announced on September 8, 2003. Devon filed for bankruptcy protection in August 2002 and has been disposing of its assets.[19] Devon is owned in part by Adelphia Communications Corp., which is also in Chapter 11 bankruptcy and under SEC investigation. It is not proper valuation methodology to use a financially distressed company sale as a measurement for FMV.[20]

In addition to using a transaction that is not representative of fair market value, the second major problem with Sun Fire's analysis is the method it uses to assign the average value for Pittsburgh to all markets in the Northcoast transaction with less than Pittsburgh's 2.47 million Pops and greater than Lebanon's 184 K Pops. This approach is simply silly. It implies, for example, that Columbus, Ohio with 1.7 million Pops is worth $7.1 million as compared to Minneapolis with 3.3 million Pops at $80.8 million. Thus, according to Sun Fire, Minneapolis, with twice the Pops, is worth more than 11 times that of Columbus.

Clearly larger markets command higher prices per MHz Pop because they have the potential to generate greater cash flow more rapidly than smaller markets. Sun Fire takes this premise to the extreme and has no basis whatsoever for its analysis.

Sun Fire incorrectly assumes (Page 28) that Nextel proposes to surrender 800 MHz licenses that cover the entire country and to have the Commission grant it licenses at 800 MHz and at 1.9 GHz on a nationwide basis covering the same number of Pops. It fails to note that Nextel only covers approximately 235 million Pops with its current 800

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[19] Buffalo Business First, September 8, 2003; Verizon Wireless said Monday it completed its $10.5 million purchase of a wireless license covering the Pittsburgh area from Devon Mobile Communications LLC., which is owned in part by Adelphia Communications Corp.

Verizon Wireless, which is jointly owned by Verizon Communications, Inc. and Britain's Vodafone, had said in May it would buy the license form Devon, which filed for Chapter 11 bankruptcy protection in August 2002.

Devon was formed in Buffalo in 1995 and 49.9 percent owned by Adelphia, which is under bankruptcy protection following a financial scandal that has lead to fraud charges against founder and chairman John Rigas and two of his sons.

Since its filing for bankruptcy protection, Devon has been selling assets including wireless phone towers and licenses in Western New York, Pennsylvania, Virginia, Maine, New Hampshire, and Vermont.

Verizon Wireless, the largest provider of wireless services in the country, added Monday that it completed its purchase of a license and network assets from Devon in Labanon, NH, for $635,000 in cash.

[20] Two sources of guidance on this subject are as follows:

(1) "Sales of stock in a closely held corporation should be carefully investigated to determine whether they represent transactions at arms length. **Forced or distress sales do not ordinarily reflect fair market value…** (From IRS Revenue Ruling 59-60, Section 4.02(g)).

(2) The market approach is based upon the assumption that a reasonably prudent person will not pay more to acquire a property than it would cost to acquire a comparable substitute property. Conversely, a prudent seller will not ordinarily sell a property for less than other sellers have been able to get for their similar properties.

In applying the market approach, it is vital to insure that the comparable sale that is selected fully conforms to the proper definition of fair market value. A comparable sale should not be used unless it represents a transaction between a willing buyer and willing seller [with neither] under any compulsion to buy or sell… (From the IRS Valuation Guide for Income, State & Gift Taxes.)

MHz spectrum. Sun Fire's analysis therefore, fails to account for the difference in value attributed to a license that covers a larger number of Pops. Sun Fire also fails to note that Commission auctions for Broadband PCS licenses have been conducted on a market-by-market basis and not on a nation-wide basis. Our value judgment is based on an aggregation of individual markets as no operator has licenses for complete national coverage. Consequently, the open question is how much would a nationwide license for 6 MHz in the 800 MHz band and 10 MHz in the 1.9 GHz band bring at auction. Our conservative analysis did not attempt to value this aspect of Nextel's proposal but we believe that there could be a considerable premium to our value conclusion if the Commission made such licenses available via an auction.[21]

Sun Fire's analysis, which uses the Nextel/Chadmoore and Nextel/Neoworld transactions as the basis for its valuation of the 800 MHz and 900 MHz spectrum and the Verizon Wireless/Devon transactions as the basis for its valuation of the 1.9 GHz spectrum, is clearly flawed. These transactions do not represent FMV for the numerous reasons described above. By contrast, the Kane Reece Appraisal, which used recent financial data applicable to the entire industry, is a far more accurate estimation of the valuations of these spectrum bands.[22]

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[21] The Commission (in conjunction with other organizations) presented three conferences on combinatorial bidding (May 5-7, 2000, October 26-28, 2001 and November 21-23, 2003). As noted on the FCC's website, "the Commission's simultaneous multiple-round auctions can be modified to allow combinatorial or "package" bidding." Such bidding is appropriate where there are strong complementaries among licenses for some bidders.

[22] Kane Reece presents a "comparable sales" analysis in its report (Exhibit F), as a reasonableness comparison to its DCF and public guideline company market approaches to valuing the domestic wireless industry and its collective spectrum assets.

This comparable sales or "comps" analysis is limited in scope to 14 recent transactions for which detailed terms and conditions are simply not available either due to their "closely held" transaction nature and/or the fact that they are relatively small transactions by a large company and disclosure is immaterial. Thus, while providing corroborative information, we do not consider comps to be a primary and certainly not a sole source of determining wireless asset values.

Additionally, we note that the comps are for relatively small or regional licenses and not directly comparable to a nationwide license which is the subject of our report. The use of comps typically requires the application of numerous adjustments to compensate for differences between the financial, operational and technical attributes of the subject company or asset and each comparable sale.

In the wireless industry these adjustments are typically difficult to accomplish for the reasons noted above. Therefore, comps are generally not used as a sole valuation method, especially where other data is available to apply the income and/or guideline company approach.

There are numerous sources of guidance on the best method to value the businesses and assets that are the subject of the Kane Reece Appraisal. *Standard & Poor's Telecommunications: Wireless Industry Survey*, October 10, 2002 indicates:

> "As operating income increases, analysts turn from per-Pop comparisons to valuation measures, based on sales or earnings before interest, taxes, depreciation and amortization (EBITDA)….
>
> In the end, valuation of wireless phone companies is similar to any other business-it is an exercise in forecasting and discounting cash flows. The analyst's objective is to obtain a "free cash flow" (FCF) estimate for the total enterprise, including equity and debt holders.

Another source of support of the Income Approach to Valuation is Gregory A. Gilbert's "Discounted-Cash-Flow Approach to Valuation", published in *Valuation of Closely Held Companies and Inactively Traded Securities* by The Institute of Chartered Financial Analysts, 1990:

> "The DCF valuation approach is theoretically the most correct valuation approach…the distant future is typically combined into one value representing the sales price (terminal value) at some relatively close point in time…all of these estimates are then discounted to their present values at the valuation dates."

We note that of all of the wireless industry analyst reports referenced in the Kane Reece Appraisal, none of these investment bankers employed a valuation technique based on comparable sales. DCF analyses under the income approach and guideline company analyses under the market approach are the standards of valuation measurement.

Legg Mason recently released a report in which it estimates the increased value to Nextel if the FCC adopts the "Consensus Plan." Legg Mason estimates that the non-contiguous 800 MHz and 900 MHz spectrum currently licensed to Nextel is worth approximately $0.50/MHz-Pop and the contiguous 800 MHz and 1.9 GHz spectrum that Nextel proposes to receive from the FCC is worth approximately $1.60/MHz-Pop. These numbers are comparable to the estimates computed by Kane Reece, i.e., $0.45 and $1.82, respectively, per MHz-Pop. It should be noted that Legg Mason does not take into account the increased value of nationwide spectrum, which would likely raise the value well above $1.60/MHz-Pop. In addition, Legg Mason's analysis, which indicates that the windfall to Nextel would be $2.8 billion, assumes that Nextel would receive licenses for only the number of Pops it currently covers (assumed by Legg Mason to be 225 million). By simply correcting the Legg Mason analysis to include the correct number of Pops, their calculated windfall to Nextel would increase by almost $1.7 billion to $4.5 billion.

Technology Analysis

Sun Fire states that Kane Reece makes a purely theoretical comparison of CDMA and iDEN technologies but it does not disagree with nor does it attempt to refute the basic conclusion that CDMA makes a more efficient use of available frequency spectrum than the current implementation of iDEN. Rather than address the obvious technical deficiencies of Nextel's existing spectrum holdings, Sun Fire attempts to gloss over Nextel's technical shortcomings by making statements of a financial nature, which encompass its whole operation, not just the frequencies that are the subject of our report.[23]

Kane Reece does not dispute the fact that iDEN is an efficient technology for making use of narrow interleaved bands of spectrum. That is not the issue. The issue is how efficient (and valuable) is interleaved spectrum relative to contiguous spectrum. Sun Fire's analysis fails to address this point and how it impacts Nextel's ability to use its existing 700 MHz, lower 800 MHz, and 900 MHz spectrum to accommodate the continued growth in wireless services, especially wideband digital applications which enhance both voice and data service capacity.

Sun Fire states "Verizon Wireless also bases its value estimates on its assessments of whether the subject spectrum can be used to provide next generation high speed data services." This is patently false. Our conservative value conclusions are based on the comparison of CDMA's capacity to carry voice traffic versus iDEN's capacity to carry voice traffic in the subject frequency bands. Our report noted correctly that CDMA technology can support a variety of advanced services (such as data, broadband, video streaming, etc) for which iDENs ability in the subject frequency bands is suspect, but we did not attempt to quantify that advantage.

Sun Fire further states "Verizon Wireless fails to recognize that Nextel holds licenses for 10 MHz of contiguous 800 MHz spectrum on which it can deploy CDMA of similar wideband technologies to support next generation high-speed data services if it chooses to do so." We are aware of Nextel's license holdings but an analysis of such holdings was not a subject of our report. Furthermore, the above quoted statement appears to be an admission on Nextel's part that it is not able to deploy CDMA or similar wideband technologies in the subject band, i.e., interleaved spectrum below 861 MHz.

[23] As previously noted, the data that Sun Fire used to reach its conclusion includes all of Nextel's spectrum, not just the interleaved spectrum that Nextel proposes to give up.

EXHIBIT A

Wireless Industry Customer Relationship Asset Valuation

KANE REECE ASSOCIATES, INC.
Valuation, Management & Technical Consulting

Exhibit A

Wireless Industry Customer Relationship Asset Valuation

The following text describes the assumptions made in developing the cash flow forecast for the customer relationship asset, and is followed by the three-page presentation of the DCF model used to value the customer relationship asset.

- We utilized the "Cellular Intangible Asset Valuation Model" to value the Wireless Industry Customer Relationship Asset. The model period chosen was 20 years, after which time the customer relationship asset has no material value.
- The model is presented on three pages: Page 1 shows the cash flow forecast and annual present values for first ten years of the model period, 2003-2012, and the asset value indication; Page 2 shows the forecast and present value for years 11-20 (2013-2022); and Page 3 presents the calculation of the return on tangible assets and of the tax depreciation.
- This model incorporates the same assumptions and projections as does the Sun Fire Model for the following projections:
  - Relationship Customers churn rate and projections over the model period are as shown in the Sun Fire Report.
  - Industry ARPU and Customer Relationship ARPU are assumed to be the same, and are the Analyst Average Monthly ARPU projection shown in our Report, Table 12 and used by Sun Fire (with minor adjustments to the Sun Fire figures after Year 9, to match the projections used in our Table 12).
  - Operating Expense and G&A Expense (as a percentage of revenue) for the industry and for the customer relationship projections are the same as those used by Sun Fire in calculating his "Pre-CPGA OIBDA margin." These are margin projections from Kagan Associates July 12, 2002, and as noted in our Table 12, Kagan's is the only analyst forecast which includes this expense detail.
  - An income tax rate of 38% is assumed.
- In addition, the marketing expense forecast which we use here is from Kagan; it was not shown in our Report Table 12, but can be derived by subtracting the Operating Expense and G&A percentage from the EBITDA percentages shown in our Report Table 12.

- The following assumptions were made to develop industry-composite customer, revenue, capital spending and depreciation forecasts:
  - Industry customer growth rates are based upon the analysts' average growth projections, and are as shown in Table 12 of our Report. These growth rates were applied to the identified industry customers, 130,909,000 at the end of 2002.
  - Industry annual revenue is determined as ARPU times average customers.
  - Capital Expenditures are based upon the analysts' smoothed/trended forecast for average capital expenditures as a percentage of service revenue. These percentages are as shown in our Report, Table 12.
  - The existing tangible asset base of $81,101 million for the industry is as shown in Table 6 of our Report.
  - Tax Depreciation is calculated (Page 3 of the DCF Model) using 7-year MACRS depreciation of the existing tangible asset base and of projected capital expenditures.
- <u>Corrections and Additions to the Sun Fire Model</u>
  - Marketing Expenses for customer retention was deducted from the Sun Fire OIBDA to arrive at pre-tax "operating cash flow on customer relationships."
  - Income taxes were shielded by a) subtracting from pre-tax cash flow a share of the industry depreciation, based upon the ratio of the Customer Relationships revenue to total industry revenue in each year (see Page 3 of the Model), and b) by straight-line amortization of the license value over a 15-year period (per IRS Code section 197) and subtracting the annual amortization from the cash flows.
  - Because the tax calculation and the license value are dependent on each other, the model uses a circular (iterative) procedure.
  - Capital Expenditures were allocated to the Customer Relationship asset, i.e. subtracted from the cash flows, based upon the ratio of relationship customer revenue to total industry revenue summed over the assumed 7-year average life for new PP&E assets.
  - A 5% annual return (approximating the prime rate) on the industry's existing tangible asset base is calculated as shown on Page 3 of the model, assuming this base is amortized straight-line over seven years at an annual amount of $13,682

million, equivalent to the amortization of a seven-year loan at 5%, and using assumed mid-year payments. A portion of this annual amount is then allocated to (subtracted from) the customer relationship based upon the ratio of the Customer Relationships revenue to total industry revenue in each year.

- The calculations of after-tax free cash flows attributable to the customer relationship asset, shown on Page 1 and Page 2 of the model, is summarized as follows:
  - Operating Cash Flow = Revenue - Operating Expense – G&A Expense – Customer-Retention Marketing Expense
  - Taxes = (Operating Cash Flow – Amortization – Depreciation)* 38%
  - After-Tax Free Cash Flow = Operating Cash Flow – Taxes – Capital Expenditures – Return on Tangible Asset Base
- Cash flows ere discounted at mid-period, resulting in slightly higher discount factors than in Sun Fire's end-of-period calculation.
- The sum of the present values over years 1-20 (beyond year 20, the value is de minimus) is the total present value indication for the customer relationship asset, $36.6 million.

Wireless Industry Customer Relationship Valuation
As of December 31, 2002

CUSTOMER RELATIONSHIP INTANGIBLE ASSET VALUATION MODEL

$000s	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
YEAR:	0	1	2	3	4	5	6	7	8	9	10
Identifed Industry Customers Y/E 2002	130,909,000										
Analyst Consensus Growth Rate		8.4%	7.3%	6.2%	5.8%	5.4%	3.6%	3.2%	2.0%	1.6%	1.4%
EOP Projected Industry Customers	130,909,000	141,871,000	152,160,000	161,637,000	170,987,000	180,186,000	186,718,000	192,607,000	196,471,000	199,610,000	202,435,000
Average Projected Industry Customers		136,390,000	147,015,500	156,898,500	166,312,000	175,586,500	183,452,000	189,662,500	194,539,000	198,040,500	201,022,500
EOP Relationship Customers	130,909,000	95,577,159	69,953,078	51,704,449	38,357,298	28,595,570	21,318,150	15,892,794	11,848,163	8,865,408	6,633,557
Avg. Relationship Customers		113,243,080	82,765,119	60,828,764	45,030,874	33,476,434	24,956,860	18,605,472	13,870,478	10,356,786	7,749,483
Analyst Average Monthly ARPU (from Kane Reece Table 12)		$ 53.81	$ 53.36	$ 52.93	$ 52.49	$ 52.72	$ 52.59	$ 52.74	$ 52.92	$ 53.10	$ 53.30
ARPU for Relationship Customers		53.81	53.36	52.93	52.49	52.72	52.59	52.74	52.92	53.10	53.30
Average Annual Revenue($) per Customer		646	640	635	630	633	631	633	635	637	640
Total Industry Revenue ($000s)		$ 88,069,751	$ 94,136,965	$ 99,655,651	$ 104,756,603	$ 111,083,043	$ 115,772,888	$ 120,033,603	$ 123,540,047	$ 126,191,407	$ 128,573,991
Total Customer Relationship Revenue($000s)		73,123,321	52,996,161	38,635,998	28,364,047	21,178,531	15,749,775	11,775,031	8,808,309	6,599,344	4,956,569
Customer Relationship Revenue % of Industry total		83.0%	56.3%	38.8%	27.1%	19.1%	13.6%	9.8%	7.1%	5.2%	3.9%
Customer Relationship Expenses											
Operating Expense % of Revenue (Kagan only forecast)	24.8%	24.7%	25.0%	25.2%	25.4%	25.1%	25.1%	24.9%	24.7%	24.5%	
G&A Expense % of Revenue (Kagan only)	18.4%	17.7%	16.9%	16.3%	15.9%	14.5%	14.5%	13.6%	12.9%	12.1%	
Oper.Margin before Marketing/Retention Costs	56.8%	57.6%	58.1%	58.5%	58.7%	60.4%	60.4%	61.5%	62.4%	63.4%	63.4%
memo: Kagan Marketing Expense % of Revenue	*28.3%*	*27.6%*	*26.3%*	*25.6%*	*25.3%*	*24.7%*	*24.7%*	*24.5%*	*24.4%*	*24.3%*	*24.3%*
Marketing-Customer Retention % of Revenue(50% of total marketing)		13.8%	13.2%	12.8%	12.7%	12.4%	12.4%	12.3%	12.2%	12.2%	12.2%
Corrected Operating Margin After Retention Costs		43.8%	45.0%	45.7%	46.1%	48.1%	48.1%	49.3%	50.2%	51.3%	51.3%
Operating Cash Flow on Customer Relationships($000s)		32,028,015	23,821,774	17,656,651	13,061,644	10,176,284	7,567,767	5,799,203	4,421,771	3,382,164	2,540,242
Amortization of Cust Relationship Intangible	15 yrs	2,440,000	2,440,000	2,440,000	2,440,000	2,440,000	2,440,000	2,440,000	2,440,000	2,440,000	2,440,000
Allocated Tangible Asset Depreciation for tax(see page 3)		11,910,942	15,287,162	9,557,779	6,224,940	4,199,640	3,276,434	2,550,978	1,665,778	1,039,948	771,761
Taxable Income		17,677,073	6,094,613	5,658,872	4,396,704	3,536,644	1,851,333	808,224	315,992	(97,784)	(671,520)
Less:Income Taxes@38%		6,717,288	2,315,953	2,150,371	1,670,748	1,343,925	703,507	307,125	120,077	0	0
Effective Tax Rate		21.0%	9.7%	12.2%	12.8%	13.2%	9.3%	5.3%	2.7%	0.0%	0.0%
Total Capital Expenditures as % of Revenue(from Table 12)	27.5%	21.9%	19.1%	18.9%	18.0%	18.3%	17.5%	16.8%	16.4%	16.0%	15.6%
Total Capital Expenditures		19,287,275	17,980,160	18,834,918	18,856,188	20,328,197	20,260,255	20,165,645	20,260,568	20,190,625	20,057,543
Customer Relationship Allocation Factors		33.0%	23.1%	16.4%	11.7%	8.5%	6.2%	4.5%	3.3%	2.5%	1.8%
Less: Capital Expenditures Allocated to Customer Relationships		6,358,623	4,150,465	3,082,850	2,213,610	1,729,141	1,256,550	917,056	677,948	498,317	365,462
Less: $ Return on Tangible Base allocated To Cust Rel (see page 3)		11,360,190	7,702,659	5,304,527	3,704,616	2,608,582	1,861,332	1,342,195	0	0	0
After-Tax Free Cash Flow Attributable to Customer Relationships		7,591,913	9,652,697	7,118,902	5,472,670	4,494,636	3,746,378	3,232,826	3,623,746	2,883,846	2,174,780
Present Value Factor Customer Relationships. - @11.0%		0.9492	0.8551	0.7704	0.6940	0.6252	0.5633	0.5075	0.4572	0.4119	0.3710
Present Value Customer Relationships		7,205,925	8,253,995	5,484,103	3,798,121	2,810,225	2,110,256	1,640,526	1,656,668	1,187,755	806,951

Present Value Customer Relationships	Yrs 1-10	$ 34,954,525
	Yrs > 10	1,646,168
	Total (Rounded)	$ 36,600,000
	$ Per Customer	$ 280

Wireless Industry Customer Relationship Valuation **CUSTOMER RELATIONSHIP INTANGIBLE ASSET VALUATION MODEL**
As of December 31, 2002

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
YEAR:	11	12	13	14	15	16	17	18	19	20
Identifed Industry Customers Y/E 2002										
Analyst Consensus Growth Rate	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
EOP Projected Industry Customers	205,260,000	208,124,000	211,028,000	213,973,000	216,959,000	219,986,000	223,056,000	226,168,000	229,324,000	232,524,000
Average Projected Industry Customers	203,847,500	206,692,000	209,576,000	212,500,500	215,466,000	218,472,500	221,521,000	224,612,000	227,746,000	230,924,000
EOP Relationship Customers	4,963,571	3,714,001	2,779,007	2,079,397	1,555,913	1,164,214	871,125	651,821	487,726	364,942
Avg. Relationship Customers	5,798,564	4,338,786	3,246,504	2,429,202	1,817,655	1,360,063	1,017,670	761,473	569,774	426,334
Analyst Average Monthly ARPU (from Kane Reece Table 12)	$ 53.30	$ 53.30	$ 53.30	$ 53.30	$ 53.30	$ 53.30	$ 53.30	$ 53.30	$ 53.30	$ 53.30
ARPU for Relationship Customers -	53.30	53.30	53.30	53.30	53.30	53.30	53.30	53.30	53.30	53.30
Average Annual Revenue($) per Customer	640	640	640	640	640	640	640	640	640	640
Total Industry Revenue ($000s)	$ 130,380,861	$ 132,200,203	$ 134,044,810	$ 135,915,320	$ 137,812,054	$ 139,735,011	$ 141,684,832	$ 143,661,835	$ 145,666,342	$ 147,698,990
Total Customer Relationship Revenue($000s)	3,708,762	2,775,087	2,076,464	1,553,718	1,162,572	869,897	650,902	487,038	364,427	272,683
Customer Relationship Revenue % of Industry total	2.8%	2.1%	1.5%	1.1%	0.8%	0.6%	0.5%	0.3%	0.3%	0.2%
Customer Relationship Expenses										
Operating Expense % of Revenue (Kagan only forecast)										
G&A Expense % of Revenue (Kagan only)										
Oper.Margin before Marketing/Retention Costs	63.4%	63.4%	63.4%	63.4%	63.4%	63.4%	63.4%	63.4%	63.4%	63.4%
memo: Kagan Marketing Expense % of Revenue	*24.3%*	*24.3%*	*24.3%*	*24.3%*	*24.3%*	*24.3%*	*24.3%*	*24.3%*	*24.3%*	*24.3%*
Marketing-Customer Retention % of Revenue(50% of total marketing)	12.2%	12.2%	12.2%	12.2%	12.2%	12.2%	12.2%	12.2%	12.2%	12.2%
Corrected Operating Margin After Retention Costs	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%
Operating Cash Flow on Customer Relationships($000s)	1,900,740	1,422,232	1,064,188	796,280	595,818	445,822	333,587	249,607	186,769	139,750
Amortization of Cust Relationship Intangible	2,440,000	2,440,000	2,440,000	2,440,000	2,440,000					
Allocated Tangible Asset Depreciation for tax	0	0	0	0	0	0	0	0	0	0
Taxable Income	(539,260)	(1,017,768)	(1,375,812)	(1,643,720)	(1,844,182)	445,822	333,587	249,607	186,769	139,750
Less:Income Taxes@38%	0	0	0	0	0	0	0	0	0	0
Effective Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Capital Expenditures as % of Revenue(from Table 12)	15.2%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Total Capital Expenditures	19,817,891	19,830,030	20,106,721	20,387,298	20,671,808	20,960,252	21,252,725	21,549,275	21,849,951	22,154,849
Customer Relationship Allocation Factors	1.3%	1.0%	0.7%	0.5%	0.4%	0.3%	0.2%	0.2%	0.1%	0.1%
Less: Capital Expenditures Allocated to Customer Relationships	266,468	196,762	147,227	110,163	82,430	61,678	46,151	34,532	25,839	19,334
Less: $ Return on Tangible Base allocated To Cust Rel	0	0	0	0	0	0	0	0	0	0
After-Tax Free Cash Flow Attributable to Customer Relationships	1,634,272	1,225,470	916,960	686,117	513,388	384,144	287,436	215,075	160,930	120,416
Present Value Factor Customer Relationships. - @11.0%	0.3343	0.3012	0.2713	0.2444	0.2202	0.1984	0.1787	0.1610	0.1451	0.1307
Present Value Customer Relationships	546,302	369,053	248,779	167,702	113,048	76,206	51,370	34,629	23,343	15,736
Present Value Customer Relationships										

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	YEAR:	0	1	2	3	4	5	6	7	8	9	10
Tax Depreciation Forecast (Industry)												
			Depreciation Life(Yrs) =	7								
MACRS Depreciation Factors:			14.29%	24.5%	17.5%	12.5%	8.9%	8.9%	8.93%	4.46%	0.00%	
	New Cap Ex											
1	19,287,275		2,756,152	4,723,454	3,373,344	2,408,981	1,722,354	1,720,425	1,722,354	860,212	0	
2	17,980,160			2,569,365	4,403,341	3,144,730	2,245,722	1,605,628	1,603,830	1,605,628	801,915	0
3	18,834,918				2,691,510	4,612,671	3,294,227	2,352,481	1,681,958	1,680,075	1,681,958	840,037
4	18,856,188					2,694,549	4,617,881	3,297,947	2,355,138	1,683,858	1,681,972	1,683,858
5	20,328,197						2,904,899	4,978,375	3,555,402	2,538,992	1,815,308	1,813,275
6	20,260,255							2,895,191	4,961,737	3,543,519	2,530,506	1,809,241
7	20,165,645								2,881,671	4,938,567	3,526,971	2,518,689
8	20,260,568									2,895,235	4,961,813	3,543,573
9	20,190,625										2,885,240	4,944,684
10	20,057,543											2,866,223
11	19,817,891											
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Total Depreciation New Capital			2,756,152	7,292,819	10,468,196	12,860,932	14,785,083	16,850,048	18,762,089	19,746,085	19,885,684	20,019,580
Existing Tangible Assets Base Depreciation		81,101,401	11,589,390	19,861,733	14,184,635	10,129,565	7,242,355	7,234,245	7,242,355	3,617,122	0	
Total Depreciation for Tax			14,345,542	27,154,552	24,652,831	22,990,496	22,027,438	24,084,293	26,004,444	23,363,208	19,885,684	20,019,580
Allocated % to Customer Relationships(Revenue % of total)			83.0%	56.3%	38.8%	27.1%	19.1%	13.6%	9.8%	7.1%	5.2%	3.9%
Allocated Tangible Asset Depreciation for tax (not material after yr 10)			11,910,942	15,287,162	9,557,779	6,224,940	4,199,640	3,276,434	2,550,978	1,665,778	1,039,948	771,761

EXHIBIT B

Chadmoore Wireless Inc. 800 MHz License Analysis

KANE REECE ASSOCIATES, INC.
Valuation, Management & Technical Consulting

Exhibit B
BIA Chadmoore Valuation of 800 MHz Licenses (Table 5)

MSA/RSA Market Name	MSA/RSA Market #	MSA/RSA Population*	No. of Channels	Low Range	High Range	Regression Adjusted Value Per Channel	Total Value	MHz Pops	Value/ MHz Pops
Minneapolis-St. Paul, MN-WI	15	2,750,900	2	112,342	151,992	144,965	289,931	275,090	1.05
St. Louis, MO-IL	11	2,495,300	1	112,342	151,992	132,279	132,279	124,765	1.06
Kansas City, MO-KS	24	1,614,000	4	112,342	151,992	133,801	535,202	322,800	1.66
Milwaukee, WI	21	1,509,600	34	112,342	151,992	151,992	5,167,733	2,566,320	2.01
Nashville-Davidson, TN	46	1,180,700	22	26,763	36,209	30,781	677,178	1,298,770	0.52
Hartford-New Britain-Bristol, CT	32	1,118,900	5	26,763	36,209	34,961	174,803	279,725	0.62
Jacksonville, FL	51	1,103,500	15	26,763	36,209	31,200	467,994	827,625	0.57
Memphis, TN-AR-MS	36	1,081,100	101	26,763	36,209	32,723	3,305,069	5,459,555	0.61
Austin, TX	75	1,062,300	20	26,763	36,209	33,273	665,467	1,062,300	0.63
Greensboro-Winston Salem-High Point, NC	47	1,030,800	6	26,763	36,209	30,474	182,845	309,240	0.59
Norfolk-Virginia Beach-Portsmouth, VA-NC	43	1,023,500	18	26,763	36,209	36,209	651,765	921,150	0.71
Charlotte-Gastonia, NC	61	960,400	22	19,539	26,435	26,435	581,575	1,056,440	0.55
Louisville, KY-IN	37	952,700	4	19,539	26,435	25,850	103,399	190,540	0.54
Birmingham, AL	41	943,700	9	19,539	26,435	22,186	199,677	424,665	0.47
Raleigh-Durham, NC	71	912,200	14	19,539	26,435	26,421	369,897	638,540	0.58
Tucson, AZ	77	855,300	3	19,539	26,435	20,756	62,267	128,295	0.49
Richmond, VA	59	846,900	30	19,539	26,435	23,636	709,073	1,270,350	0.56
Grand Rapids, MI	64	786,600	45	19,539	26,435	25,380	1,142,089	1,769,850	0.65
Greenville-Spartanburg, SC	67	721,200	19	19,539	26,435	22,971	436,444	685,140	0.64
Omaha, NE-IA	65	658,400	51	19,539	26,435	23,848	1,216,235	1,678,920	0.72
Syracuse, NY	53	650,100	12	19,539	26,435	22,008	264,093	390,060	0.68
Northeast Pennsylvania, PA	56	647,200	5	19,539	26,435	22,168	110,841	161,800	0.69
Albuquerque, NM	86	615,200	15	19,539	26,435	20,914	313,704	461,400	0.68
Baton Rouge, LA	80	585,400	27	11,304	15,294	14,489	391,200	790,290	0.50
Knoxville, TN	79	569,800	19	11,304	15,294	13,983	265,682	541,310	0.49
Little Rock-North Little Rock, AR	92	564,300	40	11,304	15,294	13,003	520,130	1,128,600	0.46
Charleston-North Charleston, SC	90	561,500	29	11,304	15,294	13,458	390,274	814,175	0.48
Mobile, AL	83	537,800	12	11,304	15,294	12,832	153,985	322,680	0.48
Columbia, SC	95	518,300	5	11,304	15,294	14,408	72,042	129,575	0.56
Lansing-East Lansing, MI	78	516,000	3	11,304	15,294	13,285	39,855	77,400	0.51
Harrisburg, PA	84	498,600	11	11,304	15,294	13,580	149,381	274,230	0.54
Youngstown-Warren, OH	66	474,700	5	11,304	15,294	14,409	72,045	118,675	0.61
New York-3	561	473,000	6	11,304	15,294	11,849	71,096	141,900	0.50
Johnson City-Kingsport-Bristol, TN-VA	85	465,700	14	11,304	15,294	12,408	173,706	325,990	0.53
Chattanooga, TN	88	464,800	4	11,304	15,294	12,969	51,878	92,960	0.56
Fort Wayne, IN	96	448,800	34	11,304	15,294	13,122	446,152	762,960	0.58
Des Moines, IA	102	447,500	11	11,304	15,294	13,545	148,999	246,125	0.61
Augusta, GA-SC	108	441,400	10	11,304	15,294	13,182	131,819	220,700	0.60
Jackson, MS	106	436,600	18	11,304	15,294	12,906	232,314	392,940	0.59
Huntsville, AL	120	425,600	11	11,304	15,294	13,045	143,491	234,080	0.61
Fort Myers, FL	164	421,400	17	11,304	15,294	15,294	259,995	358,190	0.73
Madison, WI	113	418,300	6	11,304	15,294	14,312	85,873	125,490	0.68
Pensacola, FL	127	417,500	5	11,304	15,294	13,261	66,306	104,375	0.64
Santa Barbara-Santa Maria-Lompoc, CA	124	413,000	5	11,304	15,294	12,597	62,986	103,250	0.61
Saginaw-Bay City-Midland, MI	94	400,100	51	11,304	15,294	12,990	662,515	1,020,255	0.65
Lexington-Fayette, KY	116	394,400	6	6,475	8,760	6,929	41,576	118,320	0.35
Corpus Christi, TX	112	385,300	44	6,475	8,760	6,871	302,342	847,660	0.36
Beaumont-Port Arthur, TX	101	380,800	10	6,475	8,760	6,730	67,298	190,400	0.35
Shreveport, LA	100	378,100	68	6,475	8,760	6,713	456,508	1,285,540	0.36
New York-5	563	375,200	9	6,475	8,760	6,582	59,235	168,840	0.35
Manchester-Nashua, NH	133	372,100	3	6,475	8,760	7,183	21,548	55,815	0.39
Tennessee-5	647	362,500	15	6,475	8,760	6,554	98,316	271,875	0.36
Davenport-Rock Island-Moline, IA-IL	98	359,800	60	6,475	8,760	6,794	407,666	1,079,400	0.38
Appleton-Oshkosh-Neenah, WI	125	356,300	5	6,475	8,760	6,894	34,468	89,075	0.39
New York-4	562	351,200	40	6,475	8,760	6,638	265,531	702,400	0.38
Peoria, IL	103	345,600	67	6,475	8,760	6,756	452,637	1,157,760	0.39
Atlantic City, NJ	134	338,700	6	6,475	8,760	7,100	42,602	101,610	0.42
Trenton, NJ	121	337,600	4	6,475	8,760	8,760	35,041	67,520	0.52
Kentucky-3	445	328,100	60	6,475	8,760	6,575	394,484	984,300	0.40
Reno, NV	171	327,400	25	6,475	8,760	6,580	164,501	409,250	0.40

Exhibit B
BIA Chadmoore Valuation of 800 MHz Licenses (Table 5)

MSA/RSA Market Name	MSA/RSA Market #	MSA/RSA Population*	No. of Channels	Low Range	High Range	Regression Adjusted Value Per Channel	Total Value	MHz Pops	Value/ MHz Pops
Macon-Warner-Robins, GA	138	323,900	9	6,475	8,760	6,813	61,314	145,755	0.42
Montgomery, AL	139	323,300	16	6,475	8,760	6,730	107,683	258,640	0.42
Eugene-Springfield, OR	135	318,200	7	6,475	8,760	6,602	46,217	111,370	0.41
Colorado-3	350	313,900	38	6,475	8,760	6,541	248,554	596,410	0.42
Tallahassee, FL	168	313,100	6	6,475	8,760	6,779	40,673	93,930	0.43
Huntington-Ashland, WV-KY-OH	110	311,100	6	6,475	8,760	6,662	39,974	93,330	0.43
Rockford, IL	131	308,500	21	6,475	8,760	7,069	148,439	323,925	0.46
Kalamazoo, MI	132	308,100	11	6,475	8,760	6,885	75,733	169,455	0.45
South Bend-Mishawaka, IN	129	305,400	7	6,475	8,760	6,983	48,884	106,890	0.46
Texas-11	662	295,400	40	6,475	8,760	6,541	261,660	590,800	0.44
Portland, ME	152	295,300	32	6,475	8,760	6,913	221,209	472,480	0.47
Savannah, GA	155	292,300	3	6,475	8,760	6,821	20,462	43,845	0.47
Binghamton, NY	122	290,000	13	6,475	8,760	6,673	86,746	188,500	0.46
Fayetteville-Springdale, AR	182	285,700	10	6,475	8,760	6,748	67,475	142,850	0.47
Arizona-2	319	282,700	33	6,475	8,760	6,494	214,304	466,455	0.46
New Mexico-1	553	271,000	16	6,475	8,760	6,527	104,434	216,800	0.48
South Carolina-5	629	268,900	20	6,475	8,760	6,654	133,070	268,900	0.49
Minnesota-6	487	262,200	9	6,475	8,760	6,515	58,636	117,990	0.50
Ohio-2	586	260,100	12	6,475	8,760	6,691	80,297	156,060	0.51
Ohio-7	591	259,200	12	6,475	8,760	6,598	79,171	155,520	0.51
Idaho-1	388	259,100	5	6,475	8,760	6,518	32,589	64,775	0.50
Illinois-2	395	257,200	6	6,475	8,760	6,537	39,221	77,160	0.51
Charleston, WV	140	252,300	8	6,475	8,760	6,749	53,993	100,920	0.54
New York-1	559	249,400	20	4,856	6,570	5,057	101,140	249,400	0.41
New Mexico-6	558	241,200	114	4,856	6,570	4,887	557,127	1,374,840	0.41
Lincoln, NE	172	238,800	9	4,856	6,570	6,047	54,422	107,460	0.51
Roanoke, VA	157	236,800	3	4,856	6,570	5,582	16,746	35,520	0.47
Biloxi-Gulfport, MS	173	236,300	1	4,856	6,570	5,496	5,496	11,815	0.47
Wisconsin-8	715	236,000	55	4,856	6,570	5,024	276,294	649,000	0.43
Lafayette, LA	174	235,900	30	4,856	6,570	5,831	174,926	353,850	0.49
Lubbock, TX	161	235,500	30	4,856	6,570	5,852	175,548	353,250	0.50
North Carolina-11	575	234,300	3	4,856	6,570	5,179	15,537	35,145	0.44
Johnstown, PA	143	232,900	34	4,856	6,570	5,277	179,412	395,930	0.45
St. Cloud, MN	198	230,600	38	4,856	6,570	5,388	204,737	438,140	0.47
Mayaguez, PR	169	226,345	23	4,856	6,570	5,552	127,697	260,297	0.49
Wilmington, NC	218	224,000	6	4,856	6,570	5,716	34,298	67,200	0.51
Green Bay, WI	186	223,800	33	4,856	6,570	6,570	216,819	369,270	0.59
Clarksville-Hopkinsville, TN-KY	209	223,000	5	4,856	6,570	5,571	27,853	55,750	0.50
Asheville, NC	183	215,600	11	4,856	6,570	5,614	61,752	118,580	0.52
California-1	336	215,000	37	4,856	6,570	4,914	181,830	397,750	0.46
Illinois-4	397	214,800	5	4,856	6,570	5,002	25,009	53,700	0.47
Pennsylvania-7	618	214,100	5	4,856	6,570	5,143	25,715	53,525	0.48
Virginia-3	683	206,600	5	4,856	6,570	5,206	26,030	51,650	0.50
Waco, TX	194	205,800	1	4,856	6,570	5,642	5,642	10,290	0.55
Springfield, IL	176	204,000	78	4,856	6,570	5,516	430,245	795,600	0.54
Chico, CA	215	203,900	5	4,856	6,570	5,360	26,799	50,975	0.53
Illinois-3	396	202,200	1	4,856	6,570	4,993	4,993	10,110	0.49
Muskegon, MI	181	194,100	12	4,856	6,570	5,587	67,049	116,460	0.58
Montana-5	527	194,000	158	4,856	6,570	4,950	782,099	1,532,600	0.51
South Carolina-8	632	188,700	2	4,856	6,570	5,150	10,300	18,870	0.55
Cedar Rapids, IA	195	186,000	9	4,856	6,570	5,904	53,140	83,700	0.63
Lake Charles, LA	197	181,600	25	4,856	6,570	5,511	137,771	227,000	0.61
Minnesota-7	488	173,500	25	4,856	6,570	5,014	125,345	216,875	0.58
Tyler, TX	237	170,500	39	4,856	6,570	5,599	218,375	332,475	0.66
Champaign-Urbana-Rantoul, IL	196	170,300	48	4,856	6,570	5,555	266,631	408,720	0.65
Redding, CA	254	167,300	15	4,856	6,570	5,030	75,444	125,475	0.60
Abilene, TX	220	159,800	37	4,856	6,570	5,096	188,543	295,630	0.64
Lynchburg, VA	203	159,500	17	4,856	6,570	5,289	89,917	135,575	0.66
Charlottesville, VA	256	155,000	30	4,856	6,570	5,425	162,743	232,500	0.70
Iowa-4	415	153,400	39	4,856	6,570	5,120	199,688	299,130	0.67
Wheeling, WV-OH	178	153,300	71	4,856	6,570	5,412	384,237	544,215	0.71
Joplin, MO	239	150,800	21	4,856	6,570	5,330	111,928	158,340	0.71

Exhibit B
BIA Chadmoore Valuation of 800 MHz Licenses (Table 5)

MSA/RSA Market Name	MSA/RSA Market #	MSA/RSA Population*	No. of Channels	Low Range	High Range	Regression Adjusted Value Per Channel	Total Value	MHz Pops	Value/ MHz Pops
Jacksonville, NC	258	148,600	2	2,266	3,066	2,803	5,605	14,860	0.38
Monroe, LA	219	148,400	40	2,266	3,066	2,894	115,748	296,800	0.39
Eau Claire, WI	232	148,000	60	2,266	3,066	2,516	150,959	444,000	0.34
Alexandria, LA	205	146,900	18	2,266	3,066	2,467	44,397	132,210	0.34
Bloomington-Normal, IL	250	146,800	7	2,266	3,066	2,635	18,444	51,380	0.36
Bryan-College Station, TX	287	145,500	21	2,266	3,066	2,980	62,579	152,775	0.41
Waterloo-Cedar Falls, IA	201	143,800	11	2,266	3,066	2,623	28,849	79,090	0.36
Bangor, ME	224	143,600	35	2,266	3,066	2,373	83,069	251,300	0.33
Hawaii-3	387	142,300	40	2,266	3,066	2,364	94,547	284,600	0.33
Wichita Falls, TX	233	141,500	4	2,266	3,066	2,465	9,862	28,300	0.35
Lafayette, IN	247	141,300	12	2,266	3,066	3,066	36,793	84,780	0.43
Pueblo, CO	241	138,700	1	2,266	3,066	2,425	2,425	6,935	0.35
Pascagoula, MS	252	133,000	15	2,266	3,066	2,776	41,646	99,750	0.42
State College, PA	259	132,500	20	2,266	3,066	2,595	51,895	132,500	0.39
Billings, MT	268	127,800	14	2,266	3,066	2,401	33,615	89,460	0.38
Hagerstown, MD	257	127,400	5	2,266	3,066	2,974	14,871	31,850	0.47
Florence, SC	264	125,800	8	2,266	3,066	2,685	21,479	50,320	0.43
Hawaii-2	386	122,200	40	2,266	3,066	2,564	102,567	244,400	0.42
Midland, TX	295	120,800	9	2,266	3,066	2,614	23,530	54,360	0.43
Sioux City, IA-NE	253	120,700	1	2,266	3,066	2,541	2,541	6,035	0.42
Rochester, MN	288	120,000	14	2,266	3,066	2,809	39,322	84,000	0.47
Arkansas-7	330	116,800	5	2,266	3,066	2,345	11,725	29,200	0.40
Williamsport, PA	251	116,600	40	2,266	3,066	2,488	99,539	233,200	0.43
Arkansas-5	328	115,600	3	2,266	3,066	2,336	7,009	17,340	0.40
Sheboygan, WI	277	113,000	9	2,266	3,066	2,835	25,511	50,850	0.50
Rapid City, SD	289	110,100	100	2,266	3,066	2,329	232,933	550,500	0.42
Danville, VA	262	109,300	9	2,266	3,066	2,520	22,678	49,185	0.46
Arkansas-6	329	107,400	5	2,266	3,066	2,362	11,809	26,850	0.44
La Crosse, WI	290	107,100	11	2,266	3,066	2,887	31,752	58,905	0.54
San Angelo, TX	294	106,200	40	2,266	3,066	2,449	97,978	212,400	0.46
Sherman-Denison, TX	292	104,400	16	2,266	3,066	2,574	41,181	83,520	0.49
Iowa-16	427	103,000	4	2,266	3,066	2,328	9,312	20,600	0.45
Lewiston-Auburn, ME	279	102,200	28	2,266	3,066	2,828	79,182	143,080	0.55
North Dakota-1	580	101,400	36	2,266	3,066	2,294	82,568	182,520	0.45
Cumberland, MD-WV	269	98,700	5	2,266	3,066	2,574	12,870	24,675	0.52
St. Joseph, MO	275	97,800	57	2,266	3,066	2,558	145,813	278,730	0.52
Illinois-5	398	96,900	23	2,266	3,066	2,372	54,547	111,435	0.49
Montana-8	530	96,400	91	2,266	3,066	2,305	209,776	438,620	0.48
Arkansas-2	325	95,100	7	2,266	3,066	2,309	16,163	33,285	0.49
Grand Forks, ND-MN	276	94,000	15	2,266	3,066	2,345	35,172	70,500	0.50
Bismarck, ND	298	92,600	90	2,266	3,066	2,340	210,613	416,700	0.51
Elmira, NY	284	91,900	12	2,266	3,066	2,825	33,895	55,140	0.61
Virginia-9	689	90,200	5	2,266	3,066	2,393	11,966	22,550	0.53
Virginia-8	688	87,200	1	2,266	3,066	2,359	2,359	4,360	0.54
Victoria, TX	300	82,200	10	2,266	3,066	2,519	25,192	41,100	0.61
Pine Bluff, AR	291	81,000	9	2,266	3,066	2,491	22,419	36,450	0.62
Great Falls, MT	297	78,500	40	2,266	3,066	2,340	93,603	157,000	0.60
Arkansas-9	332	67,200	60	2,266	3,066	2,312	138,736	201,600	0.69
Montana-6	528	64,200	57	2,266	3,066	2,279	129,911	182,970	0.71
Virgin Islands-1	730	55,622	100	2,266	3,066	2,376	237,568	278,110	0.85
North Carolina-14	578	54,800	2	2,266	3,066	2,472	4,944	5,480	0.90
South Dakota-3	636	51,800	16	2,266	3,066	2,281	36,498	41,440	0.88
Total	174	61,770,067	3,945				$ 36,455,017	60,826,627	$ 0.599
Avg/Chnl/Mkt							$ 9,241		
Avg MHz/Mkt/Wtd Avg MHz/Mkt			1.1					1.0	

* 1/1/2000 MSA/RSA populations according to Market Statistics. These are not necessarily the populations covered by Chamoore's licenses.
** The value of the licenses in PR and VI were based on the averages of one market above and one market below.
Source: Valuation of Chadmore Wireless Group, Inc. SMR Licenses and Selected Tangible Assets as of Jun 30, 2001 by BIA, Exh 99.1 to Nextel S-4 SEC filing, Nov 20, 2001;
Mhz pop calculations added by Kane Reece.

EXHIBIT C

Chadmoore Wireless Inc. 900 MHz License Analysis

KANE REECE
ASSOCIATES, INC.
Valuation, Management & Technical Consulting

Table 7 *

Exhibit C

Chadmoore Wireless, Inc.

900 MHz SMR License Analysis

As of June 30, 2001

MTA Name	MTA #/Block	Net Bid, Apr 96	April 1996 Net Pops	Price per Pop	Current Net Pops, June 2001	Bid Value June 2001	MHZ Pops	$/MHz Pop
New Orleans-Baton Rouge	17/R	$ 353,260	4,925,269	$ 0.072	5,374,196	$ 385,459	1,343,549	$ 0.29
	17/I	353,260	4,925,269	$ 0.072	5,374,196	$ 385,459	1,343,549	0.29
Memphis-Jackson	28/R	35,944	2,134,954	$ 0.017	3,695,835	$ 62,223	923,959	0.07
	28/Q	66,385	3,465,226	$ 0.019	3,695,835	$ 70,803	923,959	0.08
	28/P	73,863	3,465,226	$ 0.021	3,695,835	$ 78,779	923,959	0.09
Birmingham	29/T	75,650	3,244,076	$ 0.023	3,530,271	$ 82,324	882,568	0.09
	29/C	78,200	3,244,076	$ 0.024	3,530,271	$ 85,099	882,568	0.10
Oklahoma City	41/T	38,761	1,877,478	$ 0.021	1,990,889	$ 41,102	497,722	0.08
	41/R	38,761	1,877,478	$ 0.021	1,990,889	$ 41,102	497,722	0.08
	41/M	42,500	1,877,478	$ 0.023	1,990,889	$ 45,067	497,722	0.09
Nashville	43/I	140,250	1,767,391	$ 0.079	2,130,476	$ 169,062	532,619	0.32
	43/A	140,250	1,767,391	$ 0.079	2,130,476	$ 169,062	532,619	0.32
Knoxville	44/Q	34,093	1,721,911	$ 0.020	1,919,047	$ 37,996	479,762	0.08
	44/T	34,093	1,721,911	$ 0.020	1,919,047	$ 37,996	479,762	0.08
Tulsa	48/R	18,283	1,096,396	$ 0.017	1,222,221	$ 20,381	305,555	0.07
	48/N	21,676	1,096,396	$ 0.020	1,222,221	$ 24,164	305,555	0.08
Total		$ 1,545,229	16,767,475	$ 0.092	19,862,935	$ 1,830,495	11,353,149	$ 0.16

Blocks	10
KHz	25
MHZ	0.25

* From BIA Appraisal of Chadmore Transaction with Nextel(Nextel S-4 Filing Nov 20, 2001)